

**ROMGAZ**



**To: S.N.G.N. ROMGAZ S.A. EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS**

**REQUEST for approval**

***To increase S.N.G.N. ROMGAZ S.A. participating interest in the Exploration-Development-Production EX-30 Trident Block located in the Black Sea***

The purpose of this Request for approval is to present the intention of Romgaz to increase from 10% to 12.2% its rights and obligations arising from the provisions of the Petroleum Agreement and the Joint Operation Agreement (« JOA ») concluded for EX-30 Trident Block in the Black Sea. The increase of the participating interest is **justified** by the fact that Romgaz intends to reinforce its resources and reserves portfolio in order to create the frame of a sustainable development of the company, and by the preliminary results obtained from the exploration works performed during 2012 – 2017 in the Trident Block. Thus, the performed works emphasized an accumulation – LIRA – with a contingent resources volume of approximately 32 billion m<sup>3</sup>, as well as the existence of other prospects substantially increasing the hydrocarbon potential of the block.

The additional 2.2 % share, Romgaz may obtain in the Trident Block **free of cost by transfer from the PanAtlantic partner**. This occasion to increase its participating interest is due to the withdrawal decision from the Trident Block of the PanAtlantic partner.

As regards the **2.2% participating interest** which Romgaz may accept, in accordance with Article 13 of the JOA free of cost from PanAtlantic, Romgaz's decision whether to accept this share should be taken the soonest possible, bearing in mind that on **February 1, 2018** PanAtlantic's withdrawal comes into force and takes effect pursuant to the provisions of Article 13.1.2 of the JOA.

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S.N.G.N. Romgaz S.A.  
551130, Piața Constantin Moțaș, nr.4,  
Medias, jud. Sibiu - România  
Telefon 004-0269-201020  
Fax 004-0269-846901  
E-mail secretariat@romgaz.ro  
www.romgaz.ro

***Preamble***

In July 2010, LUKOIL Overseas Atash B.V. together with Vanco International Ltd. were awarded the exploration-development-production of hydrocarbon reservoirs licenses in EX-29 Est Rapsodia and EX-30 Trident Blocks, located in the Romanian territorial waters in the Black Sea, under the 10<sup>th</sup> (X) bidding round, organized by the National Agency for Mineral Resource in 2009.

The license for the EX-29 Rapsodia and EX-30 Trident Blocks for the exploration-development and production of hydrocarbon reservoirs was obtained as follows:

- On October 19, 2011 The Petroleum Concession Agreement was approved by the Romanian Government;
- On November 4, 2011 the Petroleum Concession Agreement for the exploration-development and production of EX-29 Est Rapsodia and EX-30 Trident Blocks entered into force upon its publication in Romania's Official Gazette No. 0784.

In accordance with the Joint Operation Agreement (JOA), the participating interests of the titleholders as of the signing date of the Petroleum Concession Agreement were:

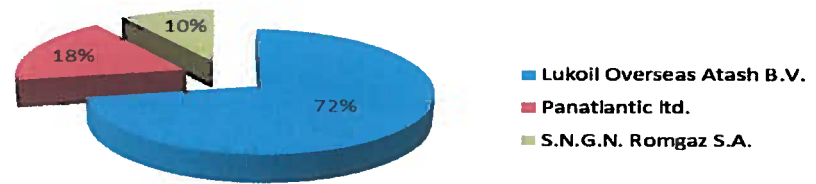
LUKOIL Overseas Atash B.V. – 80%;  
Vanco International Ltd. – 20%.

On July 19, 2012, S.N.G.N. ROMGAZ S.A. signed a Farm-Out Agreement with Lukoil Overseas Atash BV and Vanco International LTD. (which later became PanAtlantic), thus becoming co-titleholder to the Petroleum Agreement for the development of Petroleum Operations in EX-29 Est Rapsodia and EX-90 Trident Blocks in the continental shelf of the Black Sea, obtaining a 10% participating interest from the rights and obligations related to the two-above mentioned blocks.

On the same date, Romgaz and the two companies signed an Addendum to the Joint Operation Agreements (hereinafter referred to as the JOA), establishing the rights and obligations of the Parties regarding the Petroleum Operations to be developed within the Contractual Area, including hydrocarbon exploration, appraisal, development and production.

By Order No. 289/September 6, 2012, The National Agency for Mineral Resources (A.N.R.M.) approved the transfer of a 10% share related to each concession to S.N.G.N. ROMGAZ S.A. – Medias, thus the participating interests, according to the JOA, became:

- LUKOIL Overseas Atash B.V. - 72%;
- Vanco International Ltd. - 18%;
- S.N.G.N. ROMGAZ S.A. - 10%.



### ***Works performed in EX-29 Est Rapsodia and EX-30 Trident Blocks***

#### **EX-29 Est Rapsodia Block**

The exploration-appraisal well Helena 1X drilled in Block EX-29 Est Rapsodia, during November 4, 2014 – May 7, 2015, in accordance with the Minimum Work Program of the compulsory Phase I, was not successful. Consequently, on September 20, 2016, a joint request of the co-titleholders to the Petroleum Agreement was submitted to A.N.R.M., for the issuance of the “Decision to Terminate the Concession Petroleum Agreement on the Exploration – Development – Production (EDE) of EX-329 Est Rapsodia Block – The Black Sea”. A.N.R.M. issued an information note no. 88/January 5, 2017, published in Romania’s Official Gazette, Part IV, No. 4356 of December 21, 2016 on the Decision No. 37/November 25, 2016 regarding the Termination of the Exploration-Development-Production Petroleum Agreement in EX-29 Est Rapsodia Block.

#### **EX-30 Trident Block**

The (compulsory) 3-years Exploration Phase I started on November 4, 2011, and following works were performed:

- 3D seismic surveys
- Analysis of the processed seismic information
- drilling of one well (1X-Daria)
- Technology transfer and professional training

During Exploration Phase II, which lasted for two years (November 4, 2014 – November 3, 2016), the minimum exploration program included the following works:

- Drilling of one well (1X-Lira)
- 500 km<sup>2</sup> of surface works (geochemical and electromagnetic studies)
- Technology transfer and professional training

The works included in the compulsory Phase I (3 years) and the Optional Phase II (2 years) were accomplished. From the two wells drilled within EX-30 Trident Block, Daria-1X and Lira 1X, Lira-X well **is credited as natural gas discovery (contingent resources of approximately 32 billion m<sup>3</sup>)**. Daria-1X well was abandoned due to the lack of hydrocarbon perspectives, after data analysis.

The first part of extension for Exploration period is currently ongoing. The extension of exploration period until May 3, 2018, was approved by N.A.M.R. address No. 10290/October 7, 2016. This extension was requested for the performance of additional reprocessing works, complex core analyses and reinterpretation/integration of geological and geophysical data available until now to assess the discovery potential and identify possible extensions of this one, as well as outlining new prospects (performance-results). This will cause a reduction of risks related to future drilling program.

In summary, the work program assumed within the first part of extension for exploration period (04.11.2016- 03.05.2018) includes:

- Seismic data reprocessing;
- Seismic data detailed review;
- Complex analysis of cores;
- Analysis and integrated interpretation of geological and geophysical data;
- Description of hydrocarbon bearing rocks;
- Delineation of Lira discovery and reassessment of the contingent resource;
- Identifying new prospects;
- Assessment of the prospective resource by identifying new prospects, ranking the prospects and identifying the related risks;
- Selecting locations for the future exploration wells;
- Updating the economic model;
- Professional training and transfer of technology;

The results obtained by carrying out this program are described in this report.

***Preliminary assessment related to the development phase and the economic aspects of the project***

Lira discovery was made by works performed during the period 2012-2017 and was credited with a 32 billion m<sup>3</sup> contingent resource and a prospective potential in accordance with the Report NO 13979/ 10.05.2017 of the April 25, 2017 TCM (Annex 3).

Upon expiry of the actual extension of exploration period, a new extension of the exploration period by up to 3,5 years is going to be requested from NAMR, based on a work program assumed by the co-titleholders of the Petroleum Concession Agreement (the maximum exploration period is of 10 years based on concession agreement – art.4.1.2., out of which 6,5 years will elapse on May 3, 2018).

The work program related to extension period from May 3, 2018, includes works in accordance with the Report NO 13979/ 10.05.2017 of the April 25, 2017 TCM (Annex 3).

Taking into account the current positive results of the exploration phase related to EX 30 Trident Block, the company's necessity to develop, in terms of commercial relationships and in the field of exploration/exploitation (on-shore vs. off-shore), the high potential of the Black Sea resources, a potential already explored by other important international petroleum companies, Romgaz intends to increase its participating interests in EX 30 Trident Block by accepting the 2.2% share, free of cost, available by PanAtlantic's withdrawal.

In accordance with the Joint Operating Agreement, a Party may withdraw from the association and petroleum agreement by **assignment** or **withdrawal** of its participating interest, free of cost, in favor of the other Parties remaining to continue the petroleum operations. Pursuant to Article 13 of JOA, the withdrawal from the Concession Agreement is a quick and simple procedure but the withdrawing party has to assign its rights and obligations, free of cost, to non-withdrawing parties.

**PANATLANTIC WITHDRAWAL NOTICE**

On December 12, 2017, PanAtlantic sent the withdrawal notice (Annex 1), in accordance with Article 13 of the JOA. In accordance with Article 13.6, in the event of withdrawal *“a withdrawing Party shall assign free of cost its Participating interests to each of non-withdrawing Parties in the proportion with each of their*

*Participating Interests (prior the withdrawal) bears to the total Participating Interests of all non-withdrawing Parties (prior to the withdrawal), unless the non-withdrawing Parties agree otherwise”.*

Therefore, bearing in mind a withdrawal notice has been given, Romgaz has to decide whether:

- **Not to increase its participating interests by declining the 2.2% share, free of cost, available by PanAtlantic’s withdrawal. In such case, PanAtlantic will withdraw and assign all its participating interest (i.e. 18%), free of cost, to LUKOIL Overseas Atash B.V., in accordance with Article 13.6 of the JOA.**
- **To Increase its participating interests by 2.2%, free of cost, by accepting the share available by PanAtlantic’s withdrawal. The remaining 15.8% of PanAtlantic’s participating interest will be assigned, free of cost, to LUKOIL Overseas Atash B.V., in accordance with Article 13.6 of the JOA..**

#### **ESTIMATED EXPENSES AND PROFIT RELATED TO A 10% PARTICIPATING INTERESTS**

**I In the event Romgaz will not increase its participating interests share,** it shall bear 10% of the future investment. Taking into account the forecasts related to contingent and prospective resources and future investments necessary for the project development, in the most likely «Low case» scenario, results are anticipated to be obtained according to Romgaz analysis (see Annex 4) (for a 10% participating interest).

#### **ESTIMATED EXPENSES AND PROFIT RELATED TO A 12.2% PARTICIPATING INTEREST**

**II In the event Romgaz will accept the 2.2% share from PanAtlantic,** ROMGAZ shall bear 12.2% of the future investment. Taking into account the forecasts related to contingent and prospective resources and future investments necessary for the project development, in the most likely «Low case» scenario, results are anticipated to be obtained according to Romhgaz analysis (see Annex 4) (for a 12.2% participating interest ).

This option of the 2,2% increase of Romgaz participation in the Concession, in addition to the 10% share that Romgaz presently holds, has been endorsed by the Administrative Board on January 25<sup>th</sup> 2018 and, in accordance with the provisions of the Act of Incorporation of Romgaz, the Board of Administration submits to the

Extraordinary General Meeting of Romgaz Shareholders, for the approval, the following:

## PROPOSALS

- 1) The proposal to increase the participating interests of SNGN Romgaz SA in the exploration-development- production EX 30 Trident Block in Black Sea by accepting 2.2% share, free of cost, by PanAtlantic withdrawal and the corresponding amendment of the JOA to reflect the new participating interests of SNGN Romgaz SA (i.e. 12,2%) and of LUKOIL Overseas Atash B.V. (i.e. 87.8%) following the withdrawal by PanAtlantic.***

Please find attached the following:

- Annex 1 – PanAtlantic Withdrawal notice (translation + original copy)
- Annex 2- Lukoil Letter (translation + original copy) – *Due to confidential information included herein, Romgaz will make it available for consultation by the interested shareholders, upon signing a confidentiality agreement with Romgaz.*
- Annex 3- Report NO 13979 /10.05.2017 of the April 25, 2017 TCM - *Due to confidential information included herein, Romgaz will make it available for consultation to the interested shareholders, upon signing a confidentiality agreement with Romgaz.*
- Annex 4 – Economic analysis made by the Risk Management Office - *Due to confidential information included herein, Romgaz will make it available for consultation to the interested shareholders, upon signing a confidentiality agreement with Romgaz*
- Annex 5- Joint Operating Agreement (JOA) - *Due to confidential information included herein, Romgaz will make it available for consultation to the interested shareholders, upon signing a confidentiality agreement with Romgaz.*

Chairman of the Board of Directors of SNGN ROMGAZ SA  
Dorin-Liviu Nistoran





10 November 2017

Lukoil Overseas Atash B.V. Strawinskykylan 963 World Trade Center Tower D, 9 <sup>th</sup> Floor 1077XX Amsterdam The Netherlands	Societatea Nationala De Gaze Naturale Romgaz S.A. Medias P-ta C.I. Motas Square, no. 4 551130 Romania
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Re: Withdrawal Notice: Block EX-30, Trident, Offshore Romania

Ladies and Gentlemen:

PanAtlantic Petroleum Ltd. is a party to the following:

1. Petroleum Concession Agreement dated 23 February 2011 for the Exploration-Development-Production on the EX-30 Trident Block in Romania, initially entered into between the National Agency for Mineral Resources of Romania (herein the "Government"), on the one hand, and Lukoil Overseas Atash B.V. ("Lukoil") and Vanco International Ltd., on the other hand, and whose Title Holders are now Lukoil, PanAtlantic Petroleum Ltd. ("PanAtlantic") and Societatea Nationala De Gaze Naturale Romgaz S.A. ("Romgaz"), (as same has been amended, herein the "Trident Concession"); and
2. Joint Operating Agreement dated 24 October 2011 covering Block EX-30 Trident, Offshore Romanian as amended between Lukoil, as Operator, and PanAtlantic and Romgaz, as Non-Operators (the "Trident JOA").

Article 13 of the Trident JOA provides that a Party may withdraw from the Trident Concession by giving notice to the other Parties to the Trident JOA of its election to withdraw, which notice shall be unconditional and irrevocable, except as provide in Clause 13.7 of the Trident JOA.

Therefore, this letter shall provide the notice of PanAtlantic's decision, pursuant to Article 13 of the Trident JOA, to withdraw from the Trident Concession and the Trident JOA in accordance with the terms and provisions of Article 13 of the Trident JOA. The effective date of the withdrawal shall be as determined in accordance with the Trident JOA.

The rights and obligations of PanAtlantic, as a withdrawing party, shall be governed by, inter alia, Clauses 13.3 and 13.4 of the Trident JOA.

Pursuant to the provisions of Clause 13.6 of the Trident JOA, PanAtlantic agrees to assign its Participating Interest in the Trident Concession free of cost to Lukoil and Romgaz, as their respective Participating Interests bear to one another, unless Lukoil and Romgaz agree



otherwise in accordance with Clause 13.6 of the Trident JOA. Such assignment shall be on such form of assignment as may be approved by the Government and otherwise in accordance with the Trident Concession and the Trident JOA.

PanAtlantic agrees to execute such additional documents and cooperate in such actions as may be necessary to complete the withdrawal, including in obtaining any Government approvals in order to give effect to this withdrawal notice.

Please signify your acceptance of our election to withdraw and your undertaking to cooperate in such actions as may be necessary to obtaining any such Government approvals.

**PANATLANTIC PETROLEUM LTD.**

By: B. Oikarinen  
Name: V. Zengopoulos  
Title: Director

**LUKOIL OVERSEAS ATASH B.V.**

By: \_\_\_\_\_  
Name:  
Title:

**SOCIETATEA NATIONALA DE GAZE NATURALE ROMGAZ S.A.**

By: \_\_\_\_\_  
Name:  
Title:

cc: Lukoil Overseas Holding Ltd.  
1 Bolshaya Ordinka  
115035 Moscow  
Russian Federation  
Attn: Andrey Sapozhnikov